



May 28, 2002

To: The Honorable Mayor and City Council

From: John Szerlag, City Manager
William S. Nelson, Fire Chief

Subject: Insurance rating improvement by ISO

Attached is a communication from the Insurance Services Office notifying city administration that the Public Protection Classification (PPC) for the city has improved from a class 4 to a class 3. The PPC, composed of evaluations of the fire department (50%) water supply (40%) and emergency communications (10%), is used by many insurance companies to establish rates for fire insurance. Not all insurance companies utilize ISO PPC ratings to establish premiums; State Farm recently announced that it was converting to a loss experience based system in lieu of ISO ratings.

The PPC ratings range from class 10 (no fire department) to class 1. Currently, there are approximately 30 Class 1 fire departments in the United States with none located in Michigan. The only Class 2 department in Michigan is Detroit, which has not been re-evaluated in over thirty years. There are approximately 12 Class 3 departments in Michigan including: Lansing, Grand Rapids, Bay City, Saginaw, and other similar cities. Troy is the only volunteer fire department in the state to achieve a Class 3 rating.

It is difficult to quantify the impact of this rating improvement on fire insurance premium costs, however the following premium reduction averages have been reported nationally:

- One and two family dwellings- little reduction due to the grouping of classifications for rate purposes 1-4, 5-8, class 9, Class 10.
- Commercial property-

Class 10 to 9	-	15%	reduction
Class 9 to 8	-	9%	"
Class 8 to 7	-	5%	"
Class 7 to 6	-	5%	"
Class 6 to 5	-	5%	"
Class 5 to 4	-	5%	"
Class 4 to 3	-	8%	"
Class 3 to 2	-	3%	"
Class 2 to 1	-	2%	"

If you have any questions, please contact me.